

LAW OFFICES OF
KECK, MAHIN & CATE
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

8300 SEARS TOWER
233 SOUTH WACKER DRIVE
CHICAGO, ILLINOIS 60606-6589
(312) 876-3400

CABLE ADDRESS
"HAMSCOTT"

TELEX
25-3411

TELECOPIER
(312) 876-3582

FILE NUMBER 335/320/170
DIRECT DIAL 876-3522

WASHINGTON OFFICE:
1730 PENNSYLVANIA AVENUE, N.W.
SUITE 350
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(202) 347-7006

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SUITE 640
PEORIA, ILLINOIS 61602-8866
(309) 673-1681

OAK BROOK OFFICE:
OAK BROOK REGENCY TOWERS
SUITE 850
1415 WEST 22ND STREET
OAK BROOK, ILLINOIS 60521-2008
(312) 854-2100

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RECORDATION NO. 1420
APR 14 1988-1 12 PM
INTERSTATE COMMERCE COMMISSION

1 5575
RECORDATION NO. 1420
APR 14 1988-1 12 PM
INTERSTATE COMMERCE COMMISSION

April 13, 1988

VIA INTEROFFICE POUCH

Sterling C. Scott, Esq.
1730 Pennsylvania Avenue, N.W.
Suite 350
Washington, D.C. 20006

Re: Iowa Interstate Railroad, Ltd.

Dear Sterling:

Enclosed are three original copies and two photocopies of two separate Security Agreements relating to two term loans by First Illinois Bank of Evanston, N.A. to Iowa Interstate Railroad, Ltd.

Please have these Security Agreements filed with the Interstate Commerce Commission on Thursday April 14 and return stamped copies to me.

Thanks for your help.

Very truly yours,

Bill

William L. Rawson

WLR:jas
Enc.

cc: Dennis M. Wilson, Esq.
(335170.413)

8 105A010

No.

Date APR 14 1988

Fee \$ 26.00

ICC Washington, D.C.

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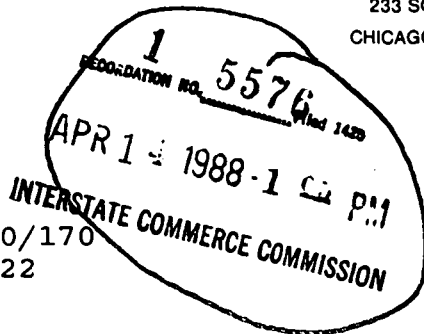
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Handwritten notes:
D. J. [unclear]
[unclear]

APR 14 1988-1 55 PM

INTERSTATE COMMERCE COMMISSION

APR 14 1988
SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made as of the 15th day of April, 1988, by IOWA INTERSTATE RAILROAD, LTD. ("Debtor"), a Delaware corporation, with its principal place of business located at 818 Church Street, Evanston, Illinois 60201, for the benefit of FIRST ILLINOIS BANK OF EVANSTON, N.A. ("Secured Party"), a national banking association with an office located at 800 Davis Street, Evanston, Illinois 60204.

WITNESSETH:

WHEREAS, Debtor has entered into a Loan and Security Agreement with Secured Party dated as of April 15, 1988 (the "Loan Agreement") pursuant to which Secured Party has agreed to make certain loans and advances to Debtor in accordance with the terms and provisions contained therein;

WHEREAS, Debtor has issued to Secured Party its promissory note of even date herewith payable as provided therein and in the Loan Agreement (the "Note").

NOW THEREFORE, in consideration of the terms and conditions contained herein and in the Loan Agreement, and of any extension of credit heretofore, now or hereafter made by Secured Party to Debtor, Debtor agrees as follows:

1. CREATION OF SECURITY INTEREST; COLLATERAL. For value received, Debtor, hereby grants to Secured Party a security interest in the locomotives described on Exhibit A attached hereto and made a part hereof and all accessions to, substitutions for and all replacements, products and proceeds of the foregoing, including without limitation proceeds of insurance policies insuring the foregoing (collectively, the "Collateral").

2. OBLIGATIONS. The security interest granted hereby is given to secure the payment of the Note and any and all other "Term Loan Liabilities" (as defined in the Loan Agreement).

3. WARRANTIES. Debtor represents and warrants as follows: (a) Debtor is duly organized and existing under the laws of State of Delaware and is duly qualified and in good standing in Illinois and each other jurisdiction in which the failure to be so qualified would have a material adverse effect on Debtor; (b) the execution, delivery and performance hereof are within Debtor's corporate powers, have been duly authorized, are not in contravention of law or the terms of Debtor's Certificate of Incorporation, Bylaws or of any indenture, agreement or undertaking to which Debtor is party or by which it is bound; (c) except for the security interest granted hereby Debtor is, or, as to Collateral to be acquired after the date hereof, will be, the owner of the Collateral free from any adverse lien, security

interest or encumbrance; and Debtor agrees that it will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

4. INSPECTION OF COLLATERAL AND RECORDS. Debtor shall at all reasonable times and from time to time allow Secured Party, by or through any of its officers, agents, attorneys or accountants, to examine and inspect the Collateral and to examine and inspect and make extracts from Debtor's books and records.

5. MAINTENANCE OF COLLATERAL. Debtor will maintain or cause the Collateral to be maintained in a state of repair, working order and condition at least as good as the Collateral is in as of the date hereof and will make or cause to be made all appropriate repairs, renewals and replacements thereof.

6. FURTHER ASSURANCE. Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Secured Party may require, to more completely vest in and assure to Secured Party its rights hereunder and in or to the Collateral.

7. PRESERVATION AND DISPOSITION OF COLLATERAL. Debtor will keep the Collateral free from any adverse lien, security interest, or encumbrance and will not sell, lease or otherwise dispose of the Collateral without the prior written consent of Secured Party.

8. EVENTS OF DEFAULT. Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions: (a) Debtor fails to pay the principal of or interest on the Note or any other of the Term Loan Liabilities when due and payable or declared due and payable; or (b) an Event of Default occurs under the Loan Agreement.

9. ACCELERATION; RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any such event of default, and at any time thereafter, Secured Party may declare all obligations secured hereby immediately due and payable, and shall have the rights and remedies of a secured party under the Uniform Commercial Code, in addition to the rights and remedies provided herein, in the Loan Agreement or in any other agreement by and between Debtor and Secured Party. Debtor shall pay to Secured Party on demand any and all expenses, including legal expenses and reasonable attorneys' fees, incurred or paid by Secured Party in protecting or enforcing the obligations and other rights of Secured Party hereunder, and such expenses shall be one of the obligations hereby secured.

10. GENERAL. Secured Party shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by Debtor unless such waiver be in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right shall operate

as a waiver of such right or any other right. A waiver on one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All of Secured Party's rights and remedies, whether evidenced hereby or by any other agreement, instrument or paper, shall be cumulative and may be exercised singularly or concurrently. All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of Debtor shall bind its successors and assigns. The unenforceability or invalidity of any one or more provisions, clauses or sentences hereof shall not render any other provision, clause or sentence herein contained unenforceable or invalid. This Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the law of the State of Illinois. This Agreement shall constitute an "Other Agreement" as defined in the Loan Agreement.

IN WITNESS WHEREOF, Debtor has caused this Agreement to be executed by its duly authorized representative as of the day and year first above written.

IOWA INTERSTATE RAILROAD, LTD.

By: Paul H. Berman
Title: President

(Affix Corporate Seal)

(1210/P)

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this 13th day of April, 1988, before me personally appeared Paul H. Banner, to me personally known, who being by me duly sworn says that he is the President of Iowa Interstate Railroad, Ltd., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Darcy Kelleher
Notary Public

My commission expires:

9/9/91

(1210/P)

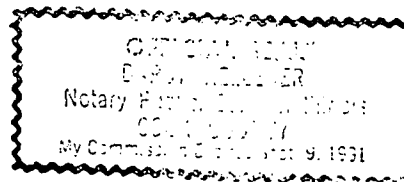


EXHIBIT A

<u>Description</u>	<u>Road#</u>	<u>Serial#</u>	<u>Frame#</u>	<u>Date Built</u>	<u>Date Rebuilt</u>
GP-9 Locomotive	IAIS 402	22308	5480-36	January, 1957	May, 1972
GP-9 Locomotive	IAIS 403	23826	5553-27	December, 1957	June, 1972
GP-9 Locomotive	IAIS 405	11041	5029-10	November, 1950	January, 1975
GP-9 Locomotive	IAIS 406	22322	5480-50	January, 1957	November, 1972

(revise2.330)